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Organic

Organic Farming in Brazil

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Report Highlights:

Organic farming is growing rapidly in Brazil at an estimated annual rate of 20 percent, although from a very small base. Although largely limited to crops, organic animal production is growing as well. Brazil is also exporting some organic products such as soybeans and sugar. Imports are insignificant, and undocumented, but market opportunities exist. A final rule to regulate organic farming is due soon.

Includes PSD changes: No
Includes Trade Matrix: No
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Executive Summary

Organic farming is growing rapidly in Brazil, although from a very small base; mostly in the South and Southeast regions. Information that exists is quite sparse, not organized, and in most cases non-existent for some products. Although commercial organic production is still limited mostly to grains and vegetables, it is increasing in the meat and dairy sectors as well. Growth of organic farming in Brazil is estimated to be around 20 percent per year, for the past two years, and production is estimated at about US\$150 million per year. The growth in organics has been recently boosted by the large interest of the Brazilian supermarkets in buying organic products. The country has about 1,200 certified farmers, and two private institutions with the authority to certify organic products. On October 19, 1998, the Brazilian Government introduced Directive 505, which contains detailed requirements and guidelines for the production and handling of organic agricultural products (both crop and livestock products). This regulation represents the first step by the Brazilian government to regulate the sector. The public comment period ended in early January 1999, and a new Directive will be republished before the end of April 1999. It is expected that after the publication of the final rule, the Brazilian government will also create a national program to coordinated the development of organic farming in Brazil.

Background:

The concept of organic farming first surfaced in Brazil in the early 1980's. In 1984, the National Science Council (CNPq) published, in Portuguese, the USDA Report and Recommendations on Organic Farming, which provided the basis for some private pilot projects in the states of São Paulo, Paraná and Rio Grande do Sul, the most environmentally aware states in Brazil at that time. Today, São Paulo and Paraná are the leading producers of organic products in Brazil.

Since 1990, with the creation of the Biodynamic Institute of Rural Development (IBD), in Botucatu, São Paulo, organic farming has been developing into a more commercial phase. Today, there are about 8 organizations involved in the certification of organics products in Brazil, but only the IBD is internationally recognized by the International Federation of Organic Agriculture Movement. Another major Brazilian organization is the Association of Organic Agriculture (AAO) located in São Paulo.

Production:

Although detailed production and trade statistics are not available, industry sources estimate that production of organics in Brazil is growing at an average annual rate of 20 percent over the last two years. It is also estimated that 10 percent of the total cultivated area (50 million hectares) in Brazil use different methods of “alternative” agriculture. However, less than 100,000 hectares are under some type of program of certified organic agriculture and produce on a commercial scale. Note: there are many poor, subsistence level farmers who may be producing “organically” not because they have made the decision to do so but because they can not afford or have access to inputs.

There are five factors contributing to the increasing production of organics in Brazil:

- (1) the high cost of agricultural chemicals, a large portion of which are imported, about 50 percent;
- (2) the reduced cost of production for some organic products;
- (3) an attractive price for producers due the “premium” paid for these products;
- (4) increasing consumer demand for healthy foods;
- (5) the growth of environmental awareness in Brazil.

The following table provides an estimate of the Brazilian production of key organic products:

Crops/Animal Production (units)	1998/99	1999/00	% change
Soybeans (metric tons)	3,200	7,000	119
Sugar (metric tons)	4,000	6,000	50
Horticulture (metric tons)	5,600	7,000	25
Tobacco (metric tons)	154	190	23
Coffee (60 kg bags)	2,000	2,400	20
Orange (40.8kg boxes)	450,000	1,500,000	233
All other crops/fruits, nuts	6,000	6,600	10
Chicken (head)	500,000	550,000	10
Eggs (dozen)	15,600	17,000	10
Milk (liter)	1,500	1,650	10

Source: FAS/OAA, based on interview with industry sources and associations of organic producers.

Consumption

Consumption of organic products is booming in Brazilian supermarkets. Demand is much higher than supply for most products, particularly vegetable and fruit products. In 1997, a Gallup poll done at the request of the Biodynamic Institute (IBD) among supermarket shoppers in Sao Paulo discovered that 7 out of 10 consumers interviewed would consume organic products if there were enough supplies in the supermarket. However, the most important finding was that 60 percent of the shoppers interviewed are willing to pay up to 20 percent more for organic products.

Followed the economic stabilization program of 1994 (the Real Plan), the eating habits of the typical Brazilian consumer changed greatly due to an increase in purchasing power. Although price is still a major factor for many Brazilian consumers due to the poor income distribution of income in the country, there is an increasing interest in eating a well-balanced diet due to health concerns. They are looking for specific characteristics in healthy foods, particularly low-fat, low-calorie, etc. Also, in Brazil, there is an interest in medicinal herbs and natural remedies which dates back to early historical times. The Brazilian Consumer Law of 1990 has contributed to making consumers more conscious of the nutritional value of the foods they eat by requiring that all foods and beverages sold in Brazil should provide the consumer with labels containing correct, precise, clear and easily readable information in Portuguese about the product. As a result, most Brazilian consumers today are very demanding about label information.

Distribution channels for organic foods were originally restricted to “natural food stores” because quantities were so small and awareness among consumers were low. With the changing habits of Brazilian consumers, and mostly with the increased competition from supermarkets, these stores have lost their appeal for consumers. Today, supermarkets account for nearly 80 percent of total sales of organic foods. The remaining portion of sales is done by producer groups directly to consumers through farmer’s markets, natural food stores, and drugstores.

Trade

There are no official trade statistics about organic products, either for imports or exports. The following information obtained on trade is derived from interviews with the few companies that export organic products.

Exports:

Organic soybeans. The most important product being exported is organic soybeans. Most of the exports are done by one company and amounts to the total Brazilian production of organic soybeans which is estimated at about 7,000 metric tons. The major markets for Brazilian organic soybeans are the European Union (mainly Germany) and Japan. The product is certified by IBD and is produced by a partnership system which involves nearly 500 producers in Rio Grande do Sul and Parana. Although most of the data is business confidential it is estimated that producers of organic soybeans are obtaining a premium of 30 to 40 percent above the price for conventional soybeans.

Organic sugar. It is estimated that in 1999, total exports of organic sugar from a major project in

Sao Paulo will reach 4,000 metric tons. Since 1997, a Brazilian sugar mill from São Paulo has sold organic sugar to 13 countries, including the United States, under the brand name of “Native”. Company officials claim that they have one third of the world market for organic sugar. Native will be sold for the first time in the domestic market in September of this year. It is estimated that the cost of organic sugar is higher than conventional sugar.

Organic oranges/FCOJ. It is estimated that during the crop year of 1999/2000 production of 1.5 million boxes (40.8 kilograms) of organic oranges will be processed into organic FCOJ. The entire production of organic FCOJ is to be exported to the European Union. Contacts would not discuss the export price. Montecitrus, a company formed by 400 small farmers, is the only company in Brazil producing organic oranges, and accounts for 5 percent of national orange production. It is estimated that the production cost of organic oranges in Brazil is nearly 50 percent above the conventionally produced oranges.

Other organic products. Brazil is also exporting small quantities of other organic products, such as organic fat (derived from Palm oil produced in the Amazon region), tobacco, coffee, fruit pulp, malt, and dry beans. However, information about these exports is scarce and not reliable.

Imports:

There are no official data on Brazilian imports of organic products. Large Brazilian supermarkets display some imported products originated from organic systems of production, mostly from Argentina and the European Union. Labels for these products have so far met the general criteria of the Brazilian consumer law, as well phytosanitary and health requirements.

Policy

The rapid growth of organic farming in Brazil prompted the Brazilian government to regulate the sector. On October 19, 1998 the Ministry of Agriculture and Food Supply (MAA) published Directive 505 with the purpose of establishing national standards for the production, classification, processing, packaging, distribution, identification and certification of the quality of organic products, of both animal and plant origin. The public comment period ended in early January 1999, and government sources informed OAA that the Directive will be republished by the end of April 1999. Government sources also mentioned that U.S. government comments were incorporated into the final rule, mostly those referring to the certification of organic products by different organizations, and the use of ag chemicals. No other details were disclosed.

The proposed regulation reportedly defines “organic products” (fresh or processed), as a product originating from an organic system of production. The definition of an organic system of production, whether agricultural or industrial, includes all aspects of production, including the ecological, biodynamic, natural, sustainable, regenerative, biological, and agroecological. The term “organic producer” applies to the producer of raw material as well as the processor of organic products.

The proposed regulation also adopts label certification. The label should contain the term “organic product” and the name and registration number of the certifying organization. For

bulk products, the shipment must be accompanied by a “certificate of organic quality”.

Marketing

According to some trade sources, there are market opportunities for selling “organic foods” in Brazil. Currently, there is a total lack of awareness of potential U.S. suppliers among supermarkets. According to supermarket managers, demand for these products is much higher than current supply, mostly for vegetables, fruits, and refrigerated processed foods. Demand for organic shelf-stable foods is still very small. Retail prices for organic foods in Brazilian supermarkets are 25 to 30 percent higher than for conventionally produced foods.